DEBT

DESCRIPTION

Bonded Debt Authorization and Issuance Policies

The Constitution of Virginia and the Virginia Public Finance Act provide the county with authority to issue general obligation debt secured solely by the pledge of its full faith and credit, as well as debt secured first by the fee revenues generated by the system for which the bonds are issued and, if necessary, by general obligation tax revenues. The county is also authorized to issue debt secured solely by the revenues of the system for which the bonds are issued. There is no limitation imposed by state law or local ordinance on the amount of general obligation debt a county may issue; however with certain exceptions, debt which either directly or indirectly is secured by the general obligation of a county must be approved at public referendum prior to issuance. Debt secured solely by the revenues generated by the system for which the bonds were issued may be issued in any amount without a public referendum.

The county, as of June 30, 2002, had total net general long-term outstanding obligations of $417.2 million. Those obligations consist of $341.9 million in general obligation bonds ($263.8 million for schools, $78.1 for general county improvements), $6.4 million in State Literary Fund Loans, $28.6 million in capital leases, $3.9 million in retirement plan obligations, and $36.4 million in judgments, claims, and compensated absences payable.

The county's commitment to established debt and financial management policies enabled the county to achieve the highest bond ratings attainable from all three rating agencies (FITCH IBCA, Standard & Poor's, and Moody's Investors Services) for the county's general obligation bonds. Chesterfield County is one of fewer than 25 counties nationwide to hold the distinct honor of having a AAA bond rating from all three agencies. The county will benefit from this improved credit rating both economically and financially.

Debt Management

The Board of Supervisors generally follows the guidelines listed below in making financial decisions on debt issuance. Adherence to these guidelines allows the county to plan for the necessary financing of capital projects while maintaining creditworthiness.

The County Administrator's Capital Improvement Program (CIP) for FY2004-FY2010 proposes debt issuance that results in a debt ratio even lower than the target listed below. The CIP has been developed to attain a debt ratio closer to 8.5%.

Debt Ratio Policies

As part of its policy, Chesterfield County has established target and ceiling numbers for certain ratios. Actual results are compared to policy values in the table below.

	Actual June 30, 2002	Target	Ceiling
Debt as a Percentage of Assessed Value	1.85%	3.0%	3.5%
Debt Per Capita	$1,390	$1,200	$1,500
Debt Service as a Percentage of General Governmental Expenditures	8.7%	10.0%	11.0%
Undesignated General Fund Balance as a Percentage of General Fund Expenditures	8.8%	7.5%	5% (Floor)

DEBT

The process of issuing general obligation bonded debt in the county begins with the departments' presentations of capital expenditure needs to the County Administrator, who then presents these requests for funding in the form of the Capital Improvement Program to the Board. For debt issues to be placed on the ballot, the Board must approve the proposals by a majority vote. County residents must then approve a bond referendum for the projects so that debt can be issued. A comprehensive discussion of the capital improvement process is included in the CIP and in the Biennial Financial Plan within the "Transfer to Capital Projects" section.

Financial Management Policies

The guidelines listed below are prudent financial management policies used to guide debt issuance and operations.

- The county does not intend to issue tax or revenue anticipation notes to fund governmental operations. Chesterfield County intends to manage its cash in a fashion that will prevent any borrowing to meet working capital needs.

- The county does not intend to issue Bond Anticipation Notes (BANs) for a period of longer than two years. If the County issues a bond anticipation note for a capital project, the BAN will be converted to a long-term bond or redeemed at its expiration.

- The county does not intend to establish a trend of using General Fund equity (Undesignated Fund Balance) to finance current operations. The county's General Fund equity balance has been built over the years to provide the county with sufficient working capital to enable it to finance unforeseen emergencies without borrowing. To conserve the General Fund equity and to avoid reliance on this balance, the county will not finance operations from the General Fund equity balance for periods longer than two years.

- In accordance with the County Charter and in order to meet debt ratio targets, to schedule debt issuance, and to systematically improve the county's capital infrastructure, each year the county will prepare and adopt a five-year Capital Improvement Program.

- In order to improve financial planning and decisions, the county will annually prepare a three-year projection of General Fund revenues and expenditures. The projections will assume that the percentage of capital improvements financed with current revenues is maintained at the county's goal of approximately 20% over the multi-year CIP.

- The county is committed to funding a significant portion of capital improvements with current revenues and now funds at least 20% of general government improvement projects and 10% of school projects with current revenue over the multi-year CIP. The Board of Supervisors has also established and adheres to a policy of allocating an amount equal to 5% of general fund departmental expenditures (excluding transfers, grants, fund balance, debt service, and respective flow-through expenditures having no direct benefit to the general fund) and 5% of the general fund transfers to schools, to pay-as-you-go capital improvements. The portion of the General Fund transfer to schools used to calculate the amount set aside excludes state sales tax, transfer to Comprehensive Services, grounds maintenance, and debt service, and is calculated on the prior year's adopted general fund transfer.

DEBT

FINANCIAL ACTIVITY

	FY2002 Actual	FY2003 Adopted	FY2004 Biennial Planned	FY2004 Adopted	Change FY2003 to FY2004	FY2005 Projected	FY2006 Projected	FY2007 Projected
Debt Service	$14,898,578	$15,327,500	$15,327,500	$13,624,300	-11.1%	$16,381,200	$19,489,000	$19,845,500
Telecom. Lease	206,222	206,200	206,200	206,200	0.0%	156,600	0	0
Total	$15,104,800	$15,533,700	$15,533,700	$13,830,500	-11.0%	$16,537,800	$19,489,000	$19,845,500

BUDGET ANALYSIS AND EVALUATION

Debt service represents payments of principal and interest on all county indebtedness. Debt service for schools is budgeted in the School Fund. The county's debt service is projected to decrease 11.0% from $15.5 million in FY2003 to $13.8 million in FY2004 as reflected in the table above. The decrease is primarily due to evaluating the need to issue debt based on the cash flow needs of the planned projects. No project is being negatively impacted. FY2004 debt service is comprised of the categories shown on the following page.

In November 1996, county residents approved a bond referendum totaling $228.4 million for school and county capital projects. The Board of Supervisors' adopted debt management policies were used to determine the amount of debt the county could afford to issue per year when sizing the 1996 referendum. The county intended to issue the bonds over a six-year period in order to stay within the policy guidelines. The last increment of authorized bonds was sold in FY2002 within the intended time frame. The majority of the projects financed with bond proceeds have been completed while the few remaining projects are well underway.

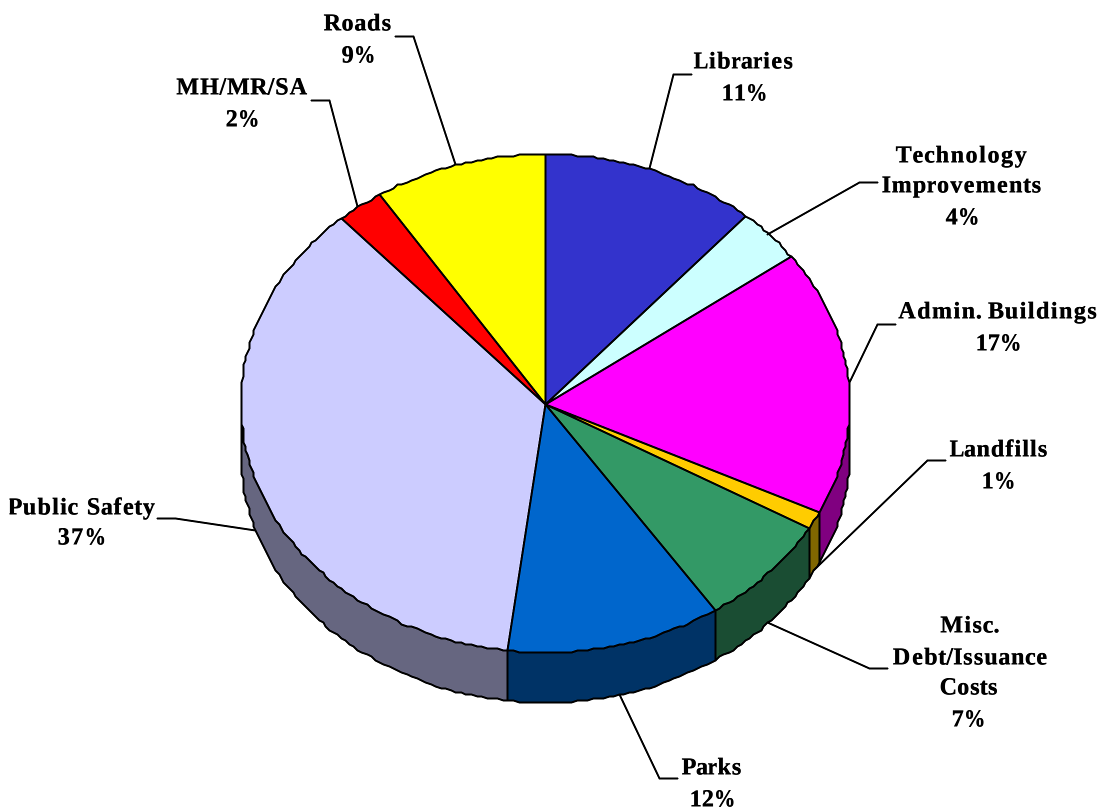
The Board of Supervisors and the School Board have agreed to plan for a bond referendum in the fall of 2004. The FY2004-FY2010 Capital Improvement Program identifies potential projects that could be placed on the referendum. The debt management policies listed in this narrative have been used to determine the amount of debt the county can afford to issue per year and stay within the recommended criteria.

In September 2000, the county entered into a lease purchase agreement for a new telephone system for county offices. This debt service payment will continue to be covered through charges to all county departments. The final lease payment is due in FY2005.

During FY2002, the county postponed a lease purchase transaction previously planned for FY2002. During FY2003 the county sold $6.1 million in certificates of participation for projects previously adopted in the Capital Improvement Program.

DEBT

FY2004 Debt Service

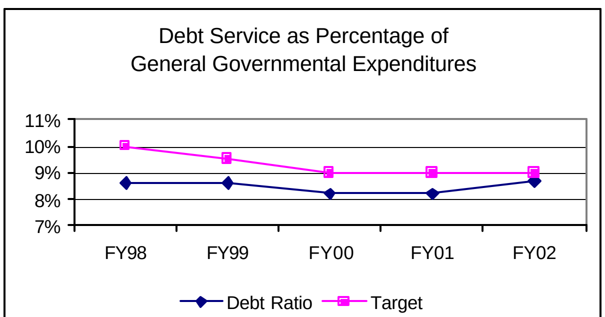


HOW ARE WE DOING?

Goal: Ensure fiscal integrity in resource allocation. Supports countywide strategic goal number 1

Objective: Maintain adopted Board of Supervisors' target of 10% or less and strive to maintain County Administrator's revised target of 9.0% through FY2002 (target has been lowered to 8.5% for the 2004-2010 planning period)

Measure: Debt Service to General Fund expenditure ratio



Initiatives

- Five year Capital Improvement Program
- Contributions to Reserve for Future Capital Improvements
- Debt affordability model
- Biennial Financial Plan
- Board of Supervisor's approved debt management policies
- Triple AAA bond rating resulting in reduced interest rates on bond sales and reduction in debt service expenditures

DEBT

Goal: Promote financial integrity. Supports countywide strategic goal number 1
Objective: Maintain highest possible General Obligation Bond rating from all three rating agencies
Measure: Annual General Obligation Bond ratings

RESULTS: Chesterfield County General Obligation Bond Ratings

Rating Agency	FY97	FY98	FY99	FY00	FY01	FY02
Standard & Poor's	AA+	AAA	AAA	AAA	AAA	AAA
Moody's Investors Services	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Fitch IBCA, Inc.	AAA	AAA	AAA	AAA	AAA	AAA

Initiatives

- Biennial Financial Plan
- Well diversified management planning tools and policies in areas such as financials, land use, economic development, and capital facilities
- Debt affordability model
- Three year projections in Biennial Financial Plan
- Rapid retirement of principal

WHERE ARE WE GOING?

General Obligation Debt

The CIP proposes projects totaling $276.2 million ($57.2 million for county projects, $219 for schools) through FY2010 to be considered for a future referendum in the Fall of 2004. Planned county projects consist of new facilities, expansions, renovations, and improvements in the areas of public safety, libraries, and parks and recreation.

Other Long-Term Obligations

Lease-Purchase Financing
The CIP also proposes several other large projects to meet the needs of the community. The CIP proposes lease-purchase projects totaling $90.1 million over the seven-year period. These projects include the County Jail replacement, construction of the Community Development Building, and the expansion/renovation of the Wagner Building. It is anticipated that these projects will be financed, either in whole or in part, through the sale of certificates of participation.

Diamond Stadium
In 1984, the Board of Supervisors committed, along with the City of Richmond and the County of Henrico, to fund portions of the reconstruction and operations of a baseball stadium located in the City of Richmond. Chesterfield's commitment is a nonbinding moral obligation under which the county has agreed to pay one-third of any annual net operating loss and of any deficit in debt service on the $3.8 million revenue bonds.

From FY98 through FY2003, the Capital Improvement Program (CIP) has included $1,291,000 to partially fund the net operating loss incurred by the Diamond, and the FY2004-2010 CIP includes $159,900 for this purpose as well. The Richmond Metropolitan Authority has begun to plan for a major renovation of the Diamond over the next 5-10 year period, and has requested the participation of Chesterfield, the County of Henrico and the City of Richmond. Beginning in FY2006, the CIP includes $500,000 annually for this purpose, although no agreement has been reached as to the level of participation by Chesterfield.

Riverside Regional Jail
Chesterfield is one of seven localities participating in the Riverside Regional Jail Authority. The Authority was formed in June 1990 to develop a regional jail to serve seven local jurisdictions in the Central Virginia area. Construction of the facility started in December 1994, and was completed in the summer of 1997. The 804-bed jail facility cost approximately $94.7 million. Core facilities were built to support a future 564-bed expansion of the jail as demand for the facility warrants. Demands on the current facility make it necessary that the RRJA begin the planning process for that expansion. The feasibility study has been completed. Under the terms of the service agreement with RRJA, the county pays per diem prisoner charges for its use of the jail. These per diem payments are to cover both the county's responsibilities for the construction financing for the facility as well as ongoing operating costs. The per diem expenses for FY2004 are estimated at approximately $5.5 million. The FY2004-2010 Capital Improvement Program allocates $17 million in debt capacity to address the expansion of the regional jail. Further detail on the Riverside Regional Jail can be found in the Sheriff Department's narrative.

Richmond Convention Center Authority
The Greater Richmond Convention Center Authority (Convention Authority), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2, Code of Virginia, 1950. The political subdivisions participating in the incorporation of the Convention Authority are the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. The Convention Authority is governed by a five-member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond.

The Convention Authority was created to acquire, finance, expand, renovate, construct, lease, operate, and maintain the facility and grounds of a visitors and convention center or centers including the facility and grounds currently known as the Richmond Centre. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the Richmond Centre facility and to construct access, streetscape, or other on-site/off-site improvements. The expansion has been completed and opened in February 2003. The Convention Authority will continue to have responsibility for the operation and maintenance of the convention center.

During fiscal year 2000 the Convention Authority issued $158,415,000 in Hotel Tax Revenue Bonds, which are secured by an 8% transient occupancy tax imposed and collected by the localities. The County recorded an expenditure of $2,310,421 for transient occupancy tax to the Convention Authority during the year ended June 30, 2002.

FUTURE YEAR PROJECTIONS

While debt service expenditures are projected to decease in FY2004, thereafter projections reflect increases in anticipation of issuing new debt, inclusive of lease-purchase financing. Each year's debt service expenses reflect net changes due to retirements of existing debt and the issuance of new debt in the preceding fiscal year. Projected FY2005 expenses reflect the most significant single year increase over the planning period, approximating $4.5 million or 31 percent. This increase is due in large part to those projects and circumstances outlined in the General Obligation Debt and Lease-Purchase Financing sections above.

Key debt ratios were used to plan the issuance of long term financing. Debt service as a percentage of general governmental expenditures, a measure of the county's ability to retire debt without negatively impacting other county services, is projected to remain below policy target values and the more conservative limits established by the County Administrator. Debt per capita, an indicator of debt burden, is projected to exceed policy values. Staff plans to evaluate the county's debt policy in FY2004 given that this ratio has not been adjusted for inflation nor for changes in county demographics since originally being adopted with the FY1988 CIP.

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS

At June 30, 2002 the long term debt consisted of:

1. LONG-TERM DEBT

A. General Obligation Bonds and State Literary Fund Loans

Chesterfield County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. State literary fund loans are approved for school capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The general obligation bonds and state literary fund loans are payable from the General Fund. At June 30, 2002 the amount outstanding of general obligation bonds and state literary fund loans were as follows:

General Obligation Bonds	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
1990A School Refunding, due 2004	$1,500,000	8.74%	$150,000	$450,000
1991 General Improvement & Refunding, due 2006	82,610,000	5.90-6.25	425,000 - 6,510,000	11,630,000
1992 General Improvement, due 2003	49,675,000	5.10-5.25	2,485,000	4,970,000
1993 General Improvement & Refunding, due 2011	52,725,000	4.80-5.25	1,750,000 - 4,645,000	35,590,000
1994A School Refunding, due 2007	14,750,000	7.90-8.10	305,000 - 1,355,000	3,925,000
1994A School, due 2013	8,125,000	6.10-6.30	410,000 - 420,000	4,990,000
1995A School, due 2015	15,160,000	5.40-5.975	755,000 - 760,000	10,600,000
1995C School, due 2015	26,175,000	5.10-6.10	1,305,000 - 1,310,000	18,315,000
1997 General Improvement, due 2009	12,800,000	4.50-5.00	640,000	4,480,000
1998 General Improvement & Refunding, due 2018	79,485,000	4.30-5.00	3,215,000 - 5,670,000	63,585,000
1999 General Improvement & Refunding, due 2019	75,625,000	4.00-4.50	1,485,000 - 9,060,000	68,330,000
2000 General Improvement, due 2020	38,050,000	5.00-6.00	1,900,000 - 1,905,000	34,240,000
2001 General Improvement, due 2021	60,355,000	4.00-5.00	2,980,000 - 3,020,000	57,335,000
2002 General Improvement, due 2022	23,280,000	3.00-5.00	1,160,000 - 1,165,000	23,280,000
Total General Obligation Bonds				**341,720,000**
Add: Premium				181,932
Net General Obligation Bonds				**$341,901,932**
State Literary Fund Loans	**$35,045,047**	**3.00-4.00%**	**$ 55,218 - $1,553,550**	**$6,405,618**

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS (CONT.)

Annual debt service requirements to maturity for general obligation bonds and state literary fund loans are as follows:

Year Ending	GENERAL OBLIGATION BONDS			STATE LIBERTY FUND LOANS		
June 30	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2003	$30,850,000	$16,179,877	$47,029,877	$1,553,550	$198,169	$1,751,719
2004	29,490,000	14,716,207	44,206,207	1,447,850	150,563	1,598,413
2005	28,180,000	13,354,304	41,534,304	1,324,500	106,127	1,430,627
2006	27,790,000	12,023,047	39,813,047	745,500	65,392	810,892
2007	24,195,000	10,755,544	34,950,544	608,000	42,027	650,027
2008-2012	103,335,000	37,831,070	141,166,070	726,218	27,987	754,205
2013-2017	68,155,000	16,774,681	84,929,681	0	0	0
2018-2022	29,725,000	3,338,845	33,063,845	0	0	0
Total	**$341,720,000**	**$124,973,575**	**$466,693,575**	**$6,405,618**	**$590,265**	**$6,995,883**

B. Revenue Bonds

The County issued bonds to finance construction projects for the Water and Wastewater enterprise funds. Revenue bonds outstanding at June 30, 2002 are as follows:

Primary Government	**Original Issue Amount**	**Interest Rates**	**Annual Principal Requirements**	**Amount Outstanding**
Business-type activities:				
1992 Water and Sewer Refunding, due 2010	$19,705,000	5.90-6.375%	$320,000 - $1,150,000	$4,320,000
1992A Water and Sewer Refunding, due 2010	39,903,968	5.70-6.50	2,016,452 - 5,930,000	26,613,967
2002 Water and Sewer Refunding, due 2010	8,610,000	2.00-4.00	975,000 - 1,205,000	8,610,000
Total Revenue Bonds				39,543,967
Less: Discounts				111,383
Deferred amount on refunding				391,931
Net Revenue Bonds				**$39,040,653**

The Water and Wastewater Funds are responsible for the revenue bonds as follows:

	Water	**Wastewater**	**Total**
Total revenue bonds	$13,168,141	$26,375,826	$39,543,967
Net revenue bonds	13,000,537	26,040,116	39,040,653

Component Unit	**Original Issue Amount**	**Interest Rates**	**Annual Principal Requirements**	**Amount Outstanding**
Health Center Commission				
1996 Mortgage revenue bonds, due 2039	$20,900,000	6.28%	$147,627-$1,322,076	$20,538,623
Less: Discount				80,498
Net Mortgage Revenue Bonds				$20,458,125

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS (CONT.)

Debt service requirements to maturity for the revenue bonds are as follows:

Year Ending	ENTERPRISE FUNDS			HEALTH CENTER COMMISSION		
June 30	Principal	Interest	Total	Principal	Interest	Total
2003	$7,080,000	$659,691	$7,739,691	$147,627	$1,285,624	$1,433,251
2004	4,373,446	3,474,393	7,847,839	157,170	1,433,252	1,590,422
2005	4,201,629	3,650,297	7,851,926	167,329	1,265,922	1,433,251
2006	4,037,005	3,808,326	7,845,331	178,145	1,255,106	1,433,251
2007	3,918,576	3,939,006	7,857,582	189,660	1,243,591	1,433,251
2008-2012	15,933,311	19,395,601	35,328,912	1,148,832	6,017,425	7,166,257
2013-2017	0	0	0	1,571,338	5,594,920	7,166,258
2018-2022	0	0	0	2,149,228	5,017,030	7,166,258
2023-2027	0	0	0	2,939,648	4,226,610	7,166,258
2028-2032	0	0	0	4,020,760	3,145,497	7,166,257
2033-2037	0	0	0	5,499,473	1,666,785	7,166,258
2038-2039	0	0	0	2,369,413	138,772	2,508,185
Total	**$39,543,967**	**$34,927,314**	**$74,471,281**	**$20,538,623**	**$32,290,534**	**$52,829,157**

C. Public Facility Lease Revenue Bonds and Certificates of Participation

The County is a party to two Real Property Lease/Purchase Agreements. One agreement is structured with Public Facility Lease Revenue Bonds and the other with Certifications of Participation In the public facilities lease, the County leases a new Juvenile and Domestic Relations Courts Building from the Lessor for a lease term ending November 1, 2019. Public Facility Lease Revenue Bonds evidencing owners' interest were issued to finance the building. Under the second agreement, the County leases the Juvenile Detention Home, the vacated Juvenile and Domestic Relations Courts Building, the Information Systems Technology Building and an Airport Hangar Building. Certificates of Participation evidencing owners' interest in the lease payments made by the County to the lessor were issued to finance construction and renovation of these buildings. The Public Facility Lease Revenue Bonds and Certificates of Participation are to be liquidated by the General Fund and the non-major Airport Fund.

Amounts outstanding as of June 30, 2002 on the Public Facility Lease and the Certificates of Participation are as follows:

Governmental Activities	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
2001 Certificates of Participation, due 2022	$13,310,000	4.00-5.00%	$539,250 - 899,250	$13,310,000
1999 Public Facility Lease, due 2020	16,100,000	4.00-6.00	805,000	14,490,000
Total Governmental Activities				**$27,800,000**
Business-type Activities				
2001 Certificates of Participation, due 2022	415,000	4.00-5.00	20,750	415,000
Total Obligations				**$28,215,000**

SUMMARY OF DEBT OUTSTANDING AND REPAYMENT REQUIREMENTS (CONT.)

Annual debt service requirements to maturity for the Public Facility Lease and the Certificates of Participation are as follows:

Year Ending June 30	GOVERNMENT ACTIVITIES Principal	Interest	Total	BUSINESS-TYPE ACTIVITIES Principal	Interest	Total
2003	$1,704,250	$1,205,520	$2,909,770	$20,750	$17,357	$38,107
2004	1,704,250	1,121,250	2,825,500	20,750	16,527	37,277
2005	1,704,250	1,037,986	2,742,236	20,750	15,697	36,447
2006	1,704,250	962,773	2,667,023	20,750	14,867	35,617
2007	1,704,250	894,603	2,598,853	20,750	14,037	34,787
2008-2012	7,441,250	3,455,995	10,897,245	103,750	56,803	160,553
2013-2017	6,726,250	1,964,670	8,690,920	103,750	35,280	139,030
2018-2022	5,111,250	483,486	5,594,736	103,750	11,983	115,733
Total	**$27,800,000**	**$11,126,283**	**$38,926,283**	**$415,000**	**$182,551**	**$597,551**

D. Capital Leases

The County has acquired equipment with a historical cost and original issue amount of $1,584,906 and accumulated depreciation of $376,616 under capital lease arrangements. The interest rates vary between 5.31% and 9.50% and annual principal payments range from $4,942 to $210,379 per fiscal year. Capital leases are to be liquidated by the General Fund. Future minimum lease payments at June 30, 2002, for these capital leases are as follows:

Year Ending June 30	GOVERNMENTAL ACTIVITIES Principal	Interest	Total
2003	$249,972	$39,339	$289,311
2004	262,408	26,019	288,427
2005	215,802	11,346	227,148
2006	63,589	3,785	67,374
Total	**$791,771**	**$80,489**	**$872,260**

E. Judgments, Claims, and Compensated Absences Payable

The County has recorded a liability for workers' compensation claims in the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The workers' compensation liability recorded is $5,317,517 for the governmental activities of the primary government, $475,243 for the business-type activities of the primary government and $3,193,697 for the School Board component unit. A liability of $3,109,380 has been recorded for judgment and claims in the Risk Management Fund. These liabilities consist of a) liabilities for claims incurred, reported and outstanding as of June 30, 2002 and b) liabilities for claims incurred but not reported as of June 30, 2002. These liabilities have been estimated based upon a case-by-case review, investigation, and historical experience. Payments for worker's compensation liabilities are recorded as a charge to the fund that incurred the liability. Judgments and claims recorded in the Risk Management Fund are payable from the Risk Management Fund.

The County has recorded a liability for rebatable arbitrage in the government-wide statements of the primary government of $2,080,365. This liability is payable by the General Fund.

The County has recorded a liability for compensated absences in the Statement of Net Assets of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded $10,923,860 and $3,483,315 for accrued vacation and sick leave benefits, respectively, and the business-type activities of the primary government recorded $711,960 and $383,610 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded $2,962,107 and $4,958,063 for accrued vacation and sick leave benefits, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

In October 1991, the Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accept solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accept solid waste after October 9, 1993. The County operated one landfill, which was closed on October 8, 1993. The state and federal laws and regulations require the County to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 10 years after closure. The County completed the final cover during fiscal year 1995 and has 4 years remaining to perform its postclosure care maintenance as of June 30, 2002. The $329,500 recorded as a landfill postclosure care liability at June 30, 2002 represents the estimated total current cost of landfill closure and postclosure care, based on the use of 100 percent of the estimated capacity for the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is not required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care due to the closing of the landfill prior to the October 9, 1993, MSWLF postclosure requirements date. The County expects to pay postclosure care cost, including additional postclosure care cost (due to inflation, changes in technology or applicable laws or regulations, for example), from the General Fund with charges to users of the County's solid waste transfer stations, General Fund tax revenue and / or General Fund reserves.

F. Retirement Plan Obligations

As required by GASB Statement Number 27, a long-term liability was recorded for the VRS Pension Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the difference between the Annual Required Contribution and the amount actually contributed. The governmental activities of the primary government recorded $3,017,369 and $263,647 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively, and the business-type activities of the primary government recorded $279,366 and $17,086 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively. The School Board component unit recorded a liability of $851,969 and a prepaid asset of $237,136 for the VRS Pension Plan and the Supplemental Retirement Program, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

G. Defeased Debt

On May 15, 2002, the County issued $8.610 million in Water and Sewer Revenue Refunding Bonds with an average interest rate of 3.4% to advance refund $8.920 million of outstanding 1992 Series bonds with an average interest rate of 6.3%. The net proceeds of $8.608 million (after deducting payment of $0.136 million in underwriting fees and other issuance costs) in addition to $0.861 million of 1992 Series debt service fund and debt service reserve fund monies (after creating a debt service fund of $0.020 million), were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on selected maturities of the 1992 Series Bonds. As a result, $8.920 million of the 1992 Series bonds are considered to be defeased, and the liability for those bonds is not reflected in the accompanying proprietary funds financial statements.

The advance refunding resulted in the recognition of an accounting loss of $0.405 million for the year ended June 30, 2002; however the County in effect reduced its aggregate debt service payments by $1.827 million over the next 9 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of $0.756 million.

In prior years, the County defeased certain general obligation and revenue bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the County's financial statements. At June 30, 2002, the outstanding balance of the defeased debt was $38.025 million, of which $10.565 million was water and sewer revenue bonds and $27.460 million was general obligation bonds.